

BUDGET LETTER

SUBJECT: 2006-07 BUDGET CHANGE LETTERS (FINANCE LETTERS)	NUMBER: 06-01
REFERENCES:	DATE ISSUED: January 20, 2006
	SUPERSEDES: BL 05-01

TO: Agency Secretaries
Department Directors
Departmental Budget Officers
Departmental Chief Information Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

NOTE: Each department with a Capital Outlay program should provide a copy of this Budget Letter (BL) to its facility manager.

FINANCE LETTERS

Given the need to maintain a prudent General Fund reserve, no General Fund Finance Letter requests will be accepted during the spring process unless previously agreed upon by the Department of Finance (Finance). The deadline for all non-capital outlay requests is February 14, 2006. Finance will accept only non-General Fund proposals of critical importance that cannot be deferred to the 2007-08 budget process.

Compliance with the February 14 deadline is critical so that the Administration can submit Budget modifications to the Legislature in a timely manner, consistent with Government Code Section 13308. This statute requires Finance to provide to the Legislature, by April 1, all proposed policy adjustments with the exception of enrollment/caseload/population (ECP) driven changes in the May Revision and Capital Outlay adjustments, which are submitted to the Legislature by May 1. Requests that do not meet the above criteria will be returned without review.

Please note that the form (DF 46) used to prepare non-capital outlay Finance Letter requests has been slightly revised. Your department's Chief Information Officer is now required to review and sign all Finance Letter requests with information technology (IT) components prior to submission to Finance. The latest version (January 2006) of the form is available either entirely in Word format or as a combination of a Word document (text portions) and an Excel document (fiscal detail). Departments may obtain both versions and instructions for completion of the DF 46 forms via:

- A Word or a Word/Excel document downloaded or a hard copy printed from the Finance BL website at: http://www.dof.ca.gov/html/budletttr/forms/fin_form.htm.

Do not submit Finance Letter requests electronically. Hard copy submittals are still required.

INFORMATION TECHNOLOGY FINANCE LETTERS

Finance Letters requesting funding for critical IT projects require Finance approval of a Feasibility Study Report (FSR), Special Project Report (SPR), or equivalent document. Pursuant to BL 05-06 and the

State Information Management Manual (SIMM) Sections 20 and 30, departments are required to submit copies of the FSR, SPR, or equivalent document to Finance, to the Legislative Analyst's Office, and, as applicable to the Department of General Services. Departments should have submitted FSRs, SPRs, or equivalent documents to Finance no later than January 17, 2006, as directed in SIMM Section 05A, in order for Finance to consider the associated IT Finance Letter requests. Departments are reminded that pursuant to Control Section 11.05 in the Budget Act of 2005, it is the Legislature's intent not to approve additional funding for 2006-07 if Finance has not approved the IT project document when the Finance Letter request is submitted to the Legislature. Comprehensive information for IT project reporting, including instructions to assist departments in meeting Finance reporting requirements, can be found in SIMM located at <http://www.dof.ca.gov/HTML/IT/SIMM/SIMM.htm>

CAPITAL OUTLAY FINANCE LETTERS

Capital Outlay Finance Letter requests for FY 2006-07 will continue the use of the forms developed and utilized for the 2005-06 Governor's Budget development process (see BL 05-07). All Capital Outlay Finance Letter requests must include fiscal impact worksheets (FIW) and must be provided in both hard copy and electronically via e-mail. **All fiscal detail related to Capital Outlay Finance Letter requests that are not technical in nature must be entered in column F** (April 1 Action) in the FIW (Excel spreadsheet). The FIW document can be found at: http://www.dof.ca.gov/html/budlettr/forms/fin_form.htm.

Government Code Section 13308 requires that all proposed adjustments to the Governor's Budget in appropriations for capital outlay are submitted to the Legislature by May 1. Traditionally, the May Technical Letter includes updates to reflect new budget package information, reversions associated with project terminations, and reappropriations to reflect unanticipated changes in project schedules. Departments intending to submit May Technical Letter requests should discuss with the Finance budget analyst appropriate submission dates to ensure compliance with the statutorily established deadline. **All fiscal detail related to Capital Outlay Technical Finance Letter requests must be entered in Column G** (May 1 Action) in the FIW (Excel spreadsheet).

MAY REVISION

Government Code Section 13308 requires the submission of the traditional May Revision to the Legislature by May 14. The traditional May Revision includes updated estimates of revenues; proposals to adjust expenditures to reflect updated revenue estimates, if necessary; and proposals to adjust Proposition 98 and ECP programs. Departments traditionally affected by ECP changes should discuss with the Finance budget analyst appropriate submission dates to ensure compliance with the May Revision deadline.

If you have any general questions, please contact your Finance budget analyst. Contact your Office of Technology Review, Oversight, and Security manager or capital outlay analyst for questions related to IT or capital outlay requests, respectively.

/s/ Vincent P. Brown

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